

Effective managers routinely calculate inventory turnover rates and determine the costs of products in inventory. Then they can calculate the monthly cost of goods sold (food or beverage cost) for comparison with the operating budget and completion of the income statement.

Managers should control products during storage as they would control money in a bank vault. Storage areas must be physically secure, and a perpetual inventory system that tracks the quantities of expensive and theft-prone items is important.

3. Describe procedures for controlling product costs when products are issued from storage to production areas.

Effective issuing helps ensure that products removed from storage generate the expected amount of revenue. Most operations do not have full-time storeroom staff. Instead, they develop practical issuing systems that closely control the most expensive items. Issue requisitions are used to access perpetual inventory products that are kept under lock. Employees may then have access to other products without an issue requisition. Nonemployees should never have access.

4. Explain ways that technology can assist with receiving, storing, and issuing tasks.

Technology eliminates much of the paperwork involved in processing information related to receiving, storing, and issuing. Incoming products can be checked against electronic purchase orders without the need to print copies. Bar code systems allow product quantity and cost information to be automatically issued into and removed from the property's inventory management system. Electronic versions of purchase specifications, delivery schedules, and communication among employees involved with purchasing enable the process to flow smoothly. Technology may be increasingly helpful even to properties of relatively small production volumes.

APPLICATION EXERCISE



Break into teams of three or four students. Your team is an experienced restaurant or foodservice consulting group hired by the owner of a relatively small Italian restaurant. She employs three full-time cooks and several part-time assistants, and the owner also works in the kitchen during busy shifts.

The operation serves about 650 customers each week with a check average of about \$12 per customer (food only).

The menu features seafood and meat main dishes, as well as two different steaks for regulars that consistently order these items. High-quality cheeses are an important ingredient in many recipes.

Her market is a highly competitive one. To be able to offer the best prices for the value received, her costs must be streamlined. The owner has turned to your group to identify the most efficient ways to control costs during the receiving, storage, and issuing processes.

Your assignment is to recommend practical, cost-effective, no-cost and low-cost product receiving, storing, and issuing systems.

Review the chapter to determine procedures the owner might implement at each of these control steps. Develop a report to explain your recommended system to the owner.